

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: PCB EAC 12-03 Tax Refunds for Qualified Targeted Industries, Qualified Defense Contractors and Space Flight Business

SPONSOR(S): Economic Affairs Committee

TIED BILLS: **IDEN./SIM. BILLS:**

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR or BUDGET/POLICY CHIEF
Orig. Comm.: Economic Affairs Committee		Fennell	Tinker

SUMMARY ANALYSIS

The bill eliminates the maximum amount of tax refunds a business unit could receive over all fiscal years for both the Qualified Targeted Industry Program and the Qualified Defense Contractor and Space Flight Business Program. The limits imposed on the percentage of total award and the dollar amount a qualified project could receive in a fiscal year would remain in effect.

The bill may have an indeterminate negative fiscal impact on state funds.

The bill has an effective date of July 1, 2012.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. EFFECT OF PROPOSED CHANGES:

Present Situation

Tax Refunds on Qualified Targeted Industries

The Qualified Target Industry (QTI) tax refund program was designed to encourage the recruitment or creation of higher-paying, higher-skilled jobs for Floridians, by awarding eligible businesses refunds of certain state or local taxes paid in exchange for creating jobs. To be eligible for the program a business must, among other criteria, fall under an industry classification that has been included on the approved list of targeted industries for the state. The program provides a refund against eligible taxes paid by an approved applicant.

The program also requires that a project must propose to create at least 10 new jobs, or in the case of a business expansion must result in a net increase in employment of at least 10 percent at the business. The jobs proposed to be created or retained must pay an average annual wage of at least 115% of the average private sector wage in the area where the business is located or the statewide private sector average wage. The 2012 average annual wage for Florida is \$40,555.¹

The amount of the refund is based on the wages paid, number of jobs created, and where in the state the eligible business chooses to locate or expand. The minimum tax refund is \$3,000 per employee and the maximum amount is \$11,000 per employee over the term of the incentive agreement.

Qualified Defense Contractor and Space Flight Business Tax Refund

The Qualified Defense Contractor and Space Flight Business (QDC) tax refund program provides incentives to businesses that either hold or are a subcontractor for a valid Department of Defense contract or space flight business contract, or hold a contract for the reuse of a defense related facility. The Department of Economic Opportunity receives and approves applications based on certain criteria set in statute. The program provides a refund against eligible taxes paid by an approved applicant.

The program requires that the jobs created by the project have an average annual wage of at least 115% of the average wage in the area where the project is located. The 2010 average annual wage for Florida is \$40,555.²

The amount of the refund is based on wages paid, number of jobs created and where in the state the project is located. The minimum tax refund is \$3,000 per employee and the maximum amount is \$8,000 per employee over the term of the incentive agreement.

Tax Refund Limits

Section 288.106 and 288.1045, Florida Statutes, set the criteria for the QTI and QDC program. Included in these criteria are limits on awards for qualified projects under both programs. The limits include:

- The QTI and QDC programs limit applicants to 25 percent of the total tax refunds in any given fiscal year.
- The QDC program limits applicants to \$2.5 million in tax refunds in any given fiscal year.
- The QTI program limits applicants to \$1.5 million in tax refunds in any given fiscal year or \$2.5 million if the project is in an enterprise zone.
- The QDC program limits applicants to \$7 million in tax refunds over all fiscal years.
- The QTI program limits applicants to \$7 million in tax refunds over all fiscal years, or \$7.5 million if a project is in an enterprise zone.

¹ Enterprise Florida, *Incentive Average Wage Requirements*, 2010

² Enterprise Florida, *Incentive Average Wage Requirements*, 2010

Effect of Proposed Change

The bill eliminates the maximum amount of tax refunds a business unit could receive over all fiscal years for both the Qualified Targeted Industry Program and the Qualified Defense Contractor and Space Flight Business Program. The limits imposed on the percentage of total award and dollar amount a qualified project could receive in a fiscal year would remain in effect.

B. SECTION DIRECTORY:

Section 1 amends section 288.1045, F.S., by removing program limits for applicants to the Qualified Defense Contractor or Space Flight Business Program.

Section 2 amends section 288.106, F.S., by removing program limits for applicants to the Qualified Targeted Industry Program.

Section 3 provides an effective date.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

None

2. Expenditures:

The bill could increase the number of businesses who would qualify for future awards by removing a lifetime cap on receipt of the tax refunds. The amount of additional awards, if any, is unknown but could have a negative fiscal impact on general revenue. However, both the QTI and QDC program's funding are subject to an annual appropriation in the General Appropriations Act. Further, both the programs are included in an annual cap of \$35 million in total awards issued by the Department of Economic Opportunity for programs funded through the Economic Development Incentives Account.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

None

2. Expenditures:

None

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

The bill would increase the number of jobs created or retained in the state if additional businesses that qualify for the refund decide to locate or expand.

D. FISCAL COMMENTS:

None

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

None

2. Other:

None

B. RULE-MAKING AUTHORITY:

None

C. DRAFTING ISSUES OR OTHER COMMENTS:

None

IV. AMENDMENTS/ COMMITTEE SUBSTITUTE CHANGES